



BDO PUERTO RICO, PSC
1302 Ponce De Leon Ave.
Suite 101
San Juan, Puerto Rico 00907
Tel: 787-754-3999
Fax: 787-754-3105
www.bdopr.com

BDO USVI, LLC
Foothills Professional Building
9151 Estate Thomas, Suite 201
St. Thomas, VI 00802
Tel: 340-776-0640
Fax: 340-779-8653
www.bdousvi.com

DEPTO. ESTADO

**INDEPENDENT AUDITORS' REPORT
ON BALANCE SHEET FILED
WITH THE DEPARTMENT OF STATE**

To the Stockholder of
Carrión, Laffitte & Casellas, Inc.:

Report on the Financial Statement

We have audited the accompanying financial statement of Carrión, Laffitte & Casellas, Inc. (the "Company") (a wholly-owned subsidiary of Hub International Limited), which comprise the balance sheet as of December 31, 2016, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibilities

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments; the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



To the Stockholder of
Carrión, Laffitte & Casellas, Inc.
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Basis for Qualified Opinion

As described in Note 1 to the financial statement, for statutory reporting purposes, the Company carries its investment in wholly-owned subsidiary, under the equity method. Accounting principles generally accepted in the United States of America require the consolidation of all wholly-owned subsidiaries.

Qualified Opinion

In our opinion, except for the effects on the financial statement of not consolidating the accounts of its wholly-owned subsidiary as discussed in the preceding paragraph, the balance sheet referred to in the first paragraph, presents fairly, in all material respects, the financial position of the Company at December 31, 2016, in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in Note 10 to the accompanying financial statement, a portion of the Company's business reflects transactions with related parties, and may not be necessarily indicative of the conditions that would have existed or the results of operations had the Company operated as an unaffiliated company. Our opinion is not modified with respect to this matter.

Restriction on Use

This report is intended solely for the information and use of the Stockholder, the Company's management and the Department of State of Puerto Rico responsible for the administration of the annual reports and is not intended to be and should not be used by anyone other than these specified parties.

We certify that none of our shareholders is a shareholder or employee of the above Company.

BDO Puerto Rico, P.S.C.

San Juan, Puerto Rico

April 10, 2017



By: *Fernando Scherer*

CO, P.S.C.
Accountants

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Expires December 1, 2018

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CARRION, LAFFITTE & CASELLAS, INC.

Balance Sheet

December 31, 2016

Assets

Current Assets:

Cash	\$ 8,013,124
Trust cash	295,614
Accounts and other receivable, net	2,333,022
Prepaid expenses	108,022
Total Current Assets	<u>10,749,782</u>

Deferred income tax assets	1,115,077
Goodwill	14,583,552
Intangible assets, net	8,740,590
Investment in and advances to subsidiary	10,508
Property and equipment, net	591,152
Total Assets	<u><u>\$ 35,790,661</u></u>

Liabilities and Stockholder's Equity

Current Liabilities:

Accounts payable and accrued liabilities	\$ 1,908,925
Income taxes payable	131,319
Due to parent company	1,232,868
Total Current Liabilities	<u>3,273,112</u>

Other liabilities	68,778
Total Liabilities	<u>3,341,890</u>

Stockholder's Equity:

Common stock, \$1 par value. 1,000 shares authorized; 1,000 shares issued and outstanding	1,000
Additional paid-in capital	32,888,938
Accumulated deficit	(441,167)
Total Stockholder's Equity	<u>32,448,771</u>

Total Liabilities and Stockholder's Equity	<u><u>\$ 35,790,661</u></u>
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See accompanying notes to financial statements.

CARRION, LAFFITTE & CASELLAS, INC.

Notes to Financial Statements

December 31, 2016

(1) Organization and Summary of Significant Accounting Policies

Organization

Carrion, Laffitte & Casellas, Inc. (the "Company") was organized under the laws of the Commonwealth of Puerto Rico on December 24, 2003. The Company provides insurance brokerage and risk management services in Puerto Rico. The Company is a wholly-owned subsidiary of Hub International Limited ("Hub") with headquarters in Chicago Illinois.

During 2015, the Company established a wholly-owned subsidiary called Hub International CLC Human Resources Consulting LLC ("CLC Consulting") which provides human resources consulting and related services to clients.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires the company management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from use estimates.

Trust cash

Trust cash is defined as funds collected from clients and insurance carriers that are held in a fiduciary capacity for the future payment of fiduciary liabilities. Fiduciary liabilities primarily represent premiums due to carriers and return premiums due to clients. The payment of fiduciary liabilities is generally governed by the contractual terms contained in broker-carrier agreements and regulations within the states in which we operate. The Company invests trust cash balances in non-interest bearing accounts.

Accounts and Other Receivable

In its capacity as an insurance broker, the Company may collect premiums from clients and, after deducting commissions, remit those premiums to the respective insurance carrier. The Company may also collect claims or premium refunds from insurance carriers on behalf of clients. Uncollected premiums from clients are recorded as accounts receivable on the balance sheet.

As required by law and various contractual obligations, unremitted insurance premiums and claims are held in a fiduciary capacity as trust cash. The obligation to remit these funds is recorded as accounts payable on the balance sheet. The period for which the Company holds these funds is generally dependent upon the time between the date the client remits the payment to us and the date we are contractually required to forward such payment to the insurance carrier.

Accounts and other receivable are recorded at net realizable value. An allowance for possible cancellations is the Company's best estimate of the amount of probable cancellations in the Company's existing accounts receivable.

CARRION, LAFFITTE & CASELLAS, INC.

Notes to Financial Statements

December 31, 2016

Income Taxes

The Company recognizes deferred income tax assets and liabilities based upon the expected future income tax consequences of temporary differences between the carrying amounts of assets or liabilities and their tax bases by applying statutory income tax rates expected to be in effect when the asset or liability is settled. The carrying amount of deferred income tax assets, including the expected future benefit of operating loss carry forwards, is reduced by a valuation allowance if it is more likely than not that some portion of the deferred income tax asset will not be realized. If applicable, we record interest and penalties related to unrecognized tax benefits within the provision for income taxes in statement of earnings.

During the year ended December 31, 2016, the Company early adopted FASB Accounting Standards Update No. 2015-17, Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes ("ASU No. 2015-17") to eliminate the guidance in Topic 740, Income Taxes, that required an entity to separate deferred tax assets and liabilities between current and noncurrent amounts in a classified balance sheet. The amendments require that all deferred tax assets and liabilities of the same tax jurisdiction or a tax filing group, as well as any related valuation allowance, be offset and presented as a single noncurrent amount in a classified balance sheet.

Property and Equipment, Net

Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization are provided by the use of the straight-line method using estimated useful lives of the respective asset.

Goodwill

Goodwill represents the excess of cost over fair value of identifiable net assets acquired through business acquisitions. Goodwill is not amortized, but instead is reviewed for impairment on at least an annual basis by applying a fair-value-based test. In evaluating the recoverability of the carrying value of goodwill the Company determines if an indicator of goodwill impairment exists by comparing the carrying value of the reporting units with the estimated fair value. If the Company determines that an indicator of goodwill impairment exists, the Company quantifies the actual goodwill impairment charge, if any, by comparing the carrying value of goodwill to its estimated fair value, based on the fair value of the reporting unit's assets and liabilities as of the impairment test date. No such loss was incurred during the year ended December 31, 2016.

Long-lived Assets

Long-lived assets, such as property and equipment, and intangible assets, are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Events or circumstances that would result in an impairment review primarily include operating losses, a significant change in the use of an asset, or the planned disposal or sale of the asset. The asset would be considered impaired when the future net undiscounted cash flows generated by the

CARRION, LAFFITTE & CASELLAS, INC.

Notes to Financial Statements

December 31, 2016

asset are less than its carrying value. An impairment loss would be recognized based on the amount by which the carrying value of the asset exceeds its fair value. No such loss was incurred during the year ended December 31, 2016.

Investment in Subsidiary

The investment in CLC Consulting is accounted for under the equity method of accounting. For investments accounted under the equity method of accounting, the initial investment is recorded at cost, increased or decreased by the Company's share of the subsidiaries' operating results, and reduced by distributions received.

Accounting principles generally accepted in the United States of America require that the financial statements of controlled subsidiaries be consolidated with those of its parent company. The financial statements of CLC Consulting have not been consolidated since the purpose of the accompanying financial statements is to present the financial position, results of operations, and cash flows of the Company as parent company only for statutory reporting purposes.

Revenue Recognition

The Company's revenue is primarily derived from commissions collected from insurance carriers or agencies with whom insurance policies are placed on behalf of our clients.

Commission Income. Revenue recognition for commission income is primarily based on the billing arrangement for the underlying client policy. The Company has two primary types of billing arrangements: (1) agency billed commissions and (2) direct billed commissions.

Agency Bill Commissions. In an agency bill arrangement, the Company is responsible for billing and collecting premiums and fees due from clients for insurance policies. The Company generally bill clients on or before the effective date. The Company subsequently remits client premiums, net of commission income earned, to the applicable insurance carrier or agency. The Company recognizes commission income on agency bill arrangements upon the placement of insurance, which generally coincides with the effective date of the policy unless at that time we are unable to reasonably determine the actual policy premium. In these circumstances, the Company defers the recognition of commission income until we are able to reasonably determine the amount of commission earned on the policy, which generally occurs on the date that the client is billed for the policy.

Direct Bill Commissions. In a direct bill arrangement, the client is billed by the insurance carrier or agency directly for any premiums and fees related to the policy. The Company is subsequently paid the commission by the insurance carrier or agency for the brokerage services. Accordingly, we do not bill or collect premiums or fees directly from clients. The Company recognizes commission income on direct bill arrangements upon the placement of insurance with an insurance carrier or agency, which generally coincides with the effective date of the policy, unless it is unable to reasonably determine the amount of the commission earned on the policy. In which case commission income related to the policy is recognized when information becomes available and the revenue can reasonably be determined.

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The Company is entitled to commission income for a policy as of its effective date as our earnings process is substantially complete, because we have performed all contracted services for the clients and substantially all of the related costs to produce, market, and place the coverage have been incurred. In addition, as of the effective date, the Company becomes entitled to the commission, net of any allowance for cancellation, because the insurance coverage has been placed with the insurance carrier and the premium is owed by the client.

Subsequent changes to commission income, including, but not limited to those related to changes in commission rates, are recognized during the period that they occur.

The Company also recognizes co-broker commission and fees expense concurrent with the recognition of the related commission income. Co-broker commission and fee expense represents amounts paid by the Company to third-party insurance brokers who provide us referral and assistance with clients. During the year ended December 31, 2016, co-broker commission and fees expense amounted to \$2,048,079.

Consulting Fees. Consulting fees are recognized as revenue based on the arrangements in place with the consulting client. Consulting fees are recorded when the services are performed and the amounts are reasonably estimable.

Subsequent Events

Management evaluated subsequent events through April 10, 2017 the date the Company's financial statements were available to be issued. Based on this evaluation, the Company has determined that no subsequent events have occurred which require adjustment or disclosure in these financial statements.

(2) Acquisition of Businesses

During 2016, the Company entered into two asset purchase agreements with certain counterparties for the acquisition of their insurance brokerage businesses and certain operating assets. The counterparties are insurance brokers providing a broad array of property, casualty, risk management, life and health products, and employee benefits in Puerto Rico.

The Company has accounted for the business acquisitions using the acquisition method, whereby the results of operations are included in the Company's financial results from the date of acquisition going forward. In connection with the business acquisitions, the Company allocated the total purchase price to the estimated fair values of acquired tangible and intangible assets. No liabilities were assumed by the Company as of the date of the acquisitions. The Company determined the fair value of acquired tangible and intangible assets and assumed liabilities using various valuation methods, including, but not limited to, net realizable values, quoted market prices, and discounted cash flows.

In connection with acquisitions, the Company entered into agreements with the counterparties to pay

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consideration that is contingent on maintaining or achieving specified financial performance measures in future periods. The Company recorded such contingent consideration as part of the total purchase price at fair value based on management's best estimate of the future earnout payment as of the acquisition date. When the contingency is earned, the consideration is paid. The agreement further provides for the withholding of certain escrow and reserve amounts relating to particular contingencies. The accompanying financial statements include the obligation resulting from the earnout provisions of the asset purchase agreements. Such liability amounting to \$247,041 is recognized in Accounts Payable and Accrued Liabilities.

The Company recorded the purchase price of \$555,291 to Customer Relationships intangible.

(3) Accounts and Other Receivable, Net

Accounts and other receivable, net are composed of the following at December 31, 2016:

Direct bill receivable	\$2,523,715
Agency bill receivable	25,640
Other receivable	<u>35,479</u>
	2,584,834
Less: allowance for bad debts	7,905
Less: allowance for policy cancellations	<u>243,907</u>
Accounts receivable, net	<u>\$2,333,022</u>

(4) Property and Equipment, Net

A detail of property and equipment, net as of December 31, 2016 is as follows:

	Useful life (yrs)	Cost	Accumulated Depreciation and Amortization	Net Book Value
Furniture and fixtures	4-7	\$232,427	\$122,502	\$109,925
Equipment	3-5	170,897	162,088	8,809
Leasehold improvement	1-3	407,990	112,937	295,053
Construction in progress	N/A	<u>177,365</u>	<u>-</u>	<u>177,365</u>
		<u>\$988,679</u>	<u>\$397,527</u>	<u>\$591,152</u>

CARRION, LAFFITTE & CASELLAS, INC.

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(5) Intangible Assets, Net

Intangible assets, net as of December 31, 2016 consist of the following:

	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Customer relationships	\$17,635,292	\$9,353,252	\$8,282,040
Non-compete agreements	2,103,000	1,787,550	315,450
Trade name	954,000	810,900	143,100
Intangible assets, net	<u>\$20,692,292</u>	<u>\$11,951,702</u>	<u>\$8,740,590</u>

Amortization expense of each class of intangible assets during the year ended December 31, 2016 is as follows:

Customer relationships	\$1,667,954
Non-compete covenants	420,600
Trade name	190,800
Intangible amortization expense	<u>\$2,279,354</u>

Estimated total future amortization expense of intangible assets is as follows:

<u>Year Ending December 31.</u>	
2017	\$1,849,725
2018	1,250,713
2019	1,053,442
2020	891,208
2021	678,457
Thereafter	<u>3,017,045</u>
	<u>\$8,740,590</u>

Customer Relationships. The Company utilizes an accelerated amortization methodology for its customer relationship asset. The accelerated amortization methodology aligns the amortization of customer relationship asset with the accelerated pattern of consumption of the expected benefits derived from client relationships existing as of the date of the acquisition. The Company amortizes customer relationship assets over a maximum of 16 years. The determination of the useful life for customer relationship asset is based upon the estimate of the timeframe over which the acquired customer relationship is expected to contribute directly or indirectly to the future cash flows of the Company.

Non-compete Covenants. The Company amortizes non-compete covenant assets on a straight-line basis over the estimated useful life of 5 years. The estimated useful life generally includes, for each applicable employee who is subject to a non-competition covenant, (1) his or her effective term of

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employment plus (2) a contractually determined period, which typically ranges from one year to three years, after his or her employment is terminated. Upon the employee's termination, we amortize the net book value of the related non-competition covenant on a straight-line basis over the applicable contractual period.

Trade name. The Company specifically identified tradename intangible assets subject to amortization. Tradename is amortized on a straight-line basis over the applicable estimated useful life of 5 years.

(6) Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses as of December 31, 2016 are as follows:

Accounts payable	\$ 453,629
Due to producers	161,674
Due to insurance companies	596,490
Deferred income	1,346
Accrued expenses	<u>695,786</u>
	<u>\$1,908,925</u>

(7) Income Taxes

The Company is subject to income taxes in Puerto Rico, which range from 20% to 39% depending on the level of taxable income. The following table sets forth components of provision for income taxes during the year ended December 31, 2016:

Current income taxes	\$880,652
Deferred income taxes	<u>71,498</u>
Provision for income taxes	<u>\$952,150</u>

The following table presents a reconciliation of expected income taxes to the actual provision for income taxes during the year ended December 31, 2016:

Expected income taxes	\$636,089
Non-deductible expenses	336,735
Effect of progressive tax rates	(20,250)
Other	<u>(424)</u>
Provision for income taxes	<u>\$952,150</u>

CARRION, LAFFITTE & CASELLAS, INC.

Notes to Financial Statements

December 31, 2016

The components of deferred income tax assets and liabilities at December 31, 2016 are as follows:

Deferred tax assets:

Allowance for policy cancellations	\$ 95,124
Allowance for bad debts	3,083
Stock-based compensation	38,324
Intangible assets	2,452,162
Investment in subsidiary	3,990
Deferred rent	26,823
Deferred revenue	525
Net capital loss carry forward	<u>17,257</u>
Deferred tax assets – gross	2,637,288
Valuation allowance	<u>(17,257)</u>
Deferred tax assets – net	2,620,031
Deferred tax liability - Goodwill	<u>(1,504,954)</u>
Net deferred tax assets	<u>\$1,115,077</u>

The Company evaluates its deferred income tax assets to determine if they may be realized. Deferred tax assets are reduced by a valuation allowance if, based on the weight of available evidence, it is more likely than not (a likelihood of more than 50%) that some portion or the entire balance of the deferred income tax assets will not be realized. In making such assessment, significant weight is given to evidence that can be objectively verified, including both positive and negative evidence. Consideration must be given to all sources of taxable income available to realize the deferred tax assets, including the future reversal of existing temporary differences, future taxable income exclusive of the reversal of temporary differences and carry forwards, taxable income in carry back years, and tax planning strategies. The determination of a valuation allowance requires judgment based on the weight of all available evidence and considering the relative impact of negative and positive evidence. As a result, the Company has recognized a valuation allowance as of December 31, 2016 of \$17,257 resulting from the net capital loss carry forward arising from the transfer in 2012 of its investment in CLC Risk Services, Inc. There has been no change in the valuation allowance during the year ended December 31, 2016.

As of December 31, 2016, the Company had \$115,050 in net capital loss carry forward which are available through 2017 to offset future net capital gains.

The Company has no unrecognized income tax benefits or provisions due to uncertain income tax positions.

The Company's income tax return is subject to audit by the Puerto Rico Department of Treasury. Audit periods remain open for review until the statute of limitations has passed. The statute of limitations under the Puerto Rico Internal Revenue Code is four years in which the Company's

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income tax returns 2012-2015 remain open. The completion of an audit by the taxing authorities or the expiration of the statute of limitations for a given audit period could result in an adjustment to the Company's liability for income taxes. Any such adjustment could be material to results of operations for any given year based, in part upon the results of operations for the given year.

(8) Operating Leases

The Company conducts their operations from leased premises. The leases are classified as an operating lease. Rent expense related to leased premises and other property for the year ended December 31, 2016 amounted to \$555,769.

Future annual rental commitments related to the leased premises and other property are as follows:

<u>Year Ending December 31,</u>	
2017	488,514
2018	501,948
2019	515,752
2020	86,344
	<u>\$1,592,558</u>

The Company recognizes rent expense based on a straight-line method over the lease term. The difference between the amount paid and the rent expense is recorded as deferred rent. As of December 31, 2016 the Company had recorded \$68,778 in deferred rent and is included in Other Long-Term Liabilities in the accompanying Balance Sheet.

(9) Retirement Plan

The Company has Section 1081.01 (formerly Section 1165(e)) retirement plan covering substantially all employees meeting certain minimum eligibility requirements. Participants may make salary deferral contributions to the Plan up to \$15,000 the limit as established in the Puerto Rico Internal Revenue Code Section 1081.01; whereas, the employer matching contribution is determined solely at management's discretion. Employer contributions are 100% vested after 3 years of service. Retirement plan expense during the year ended December 31, 2016 amounted to \$105,063 and is included in Compensation Expense in the accompanying Statement of Earnings.

(10) Related Party Transactions

On October 2, 2013, Hub was acquired by funds advised by Hellman & Friedman LLC, a leading private equity firm. This buyout transaction has been accounted by Hub for using the acquisition method. However, any adjustments resulting from the purchase price allocations of the estimated fair values of acquired tangible and intangible assets and liabilities assumed have not been recorded in the accompanying financial statements of the Company.

Hub charges a management fee to reimburse them for certain corporate expense incurred for the benefit of the Company. Such management fee, which included in Selling, Occupancy and

CARRION, LAFFITTE & CASELLAS, INC.

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Administrative Expenses in the accompanying Statement of Earnings, is based on a stated percentage of commission and fees and amounted to \$1,572,636 during the year ended December 31, 2016.

The Company participates in the Class B Unit Award Plan of Hockey Parent Holding L.P. ("Hockey Parent"), the ultimate parent company of Hub. Hockey Parent awarded in prior year 1,166 Class B units to certain executives of the Company with a unit price of \$789. The units awarded are subject to time-based and performance-based vesting requirements. An additional 60 Class B units were awarded in prior years with unit prices ranging from \$830 to \$978 and subject to time-based vesting requirements. During the year ended December 31, 2016, 30 Class B units were awarded with a unit price of \$1,155 and subject to time-based vesting requirements. Upon the occurrence of a change in control, time-based vesting requirements will be accelerated for awards issued under the Plan. As of December 31, 2016, 466 units are vested and exercisable. No awards have been forfeited as of December 31, 2016. The Company recognizes compensation expense of the time-based awards based on the estimated fair value of the equity instrument awarded over the estimated service period using a straight-line method. Compensation expense of the performance-based awards is recognized when it is probable the performance condition will be achieved based on the estimated fair value of the equity instrument awarded over the remaining estimated service period. The fair value of the award grants is estimated on the date of grant using a binomial-lattice model and is affected by assumptions regarding a number of highly complex and subjective variables. These variables include, but are not limited to, expected equity price volatility and the expected life of the awards. Forfeitures of share-based awards are estimated at the time of grant and revised in subsequent periods if actual forfeitures differ from those estimates. The fair value at grant date of the Class B units awarded was \$257-\$402 with the following assumptions: dividend yield 0%; risk free rate 0.82%-1.34%; volatility 35%-45%; expected life 2.41 years-4.54 years. Risk-free interest rates are interpolated using the grant time to maturity and U.S. Treasury yields as of each grant date. Volatility is calculated based on a combination of the actual historical daily prices and implied exchange traded options for the common shares of certain publicly traded insurance brokerage companies. Expected life is calculated based on management's estimate of the expected time from the grant date of a share-based award to the date that a qualified change of control or other liquidating event takes place. The Company recognized stock-based compensation of \$65,408 and is included in Compensation Expense in the accompanying Statement of Earnings.

Hub is obligated under a Senior Secured Credit Agreement with a syndicate of institutional lenders and financial institutions. This credit agreement is collateralized, among other instruments, with a portion of the outstanding shares of the Company.

CARRION, LAFFITTE & CASELLAS, INC.

Notes to Financial Statements

December 31, 2016

(11) Investment in Subsidiary

The following table sets forth balance sheet as of December 31, 2016 and statement of earnings information for the year then ended of CLC Consulting (unaudited):

Balance Sheet Information

Cash	\$20,309
Accounts receivable	<u>1,310</u>
Current assets	21,619
Intangible asset, net	24,659
Property and equipment	<u>827</u>
Total assets	<u>\$47,105</u>
Accounts payable and accrued expenses	14,987
Due to Hub International Limited	21,610
Due to Carrion, Laffitte & Casellas, Inc.	<u>54,651</u>
Current liabilities	91,248
Member's equity	<u>(44,143)</u>
	<u>\$47,105</u>

Statement of Earnings Information

Revenue	\$52,824
Operating expenses	<u>116,722</u>
Net loss	<u>(\$63,898)</u>

(12) Concentration of Credit Risk

Financial instruments which potentially subject the Company to concentrations of credit risk consist primarily of cash, and accounts and other receivables. The Company maintains a policy providing for the diversification of cash and places its cash in a number of high quality financial institutions to limit the amount of credit risk exposure. Concentrations of credit risk with respect to receivables are generally limited due to the large number of clients and markets in which the Company does business. Account receivable balances from two carriers amounting to 33% in the aggregate exceeded each 10% of receivables as of December 31, 2016. The Company has, however, one client in the financial services industry that exceeds 10% of revenue as of December 31, 2016.

The Company attempts to limit concentration of credit risk due to cash in bank accounts, however its deposit balances may, at times, exceed federally insured limits of \$250,000. The Company has not experienced any losses on such accounts.

CARRION, LAFFITTE & CASELLAS, INC.

Notes to Financial Statements

December 31, 2016

(13) Contingencies

The Company is party to litigation and other claims arising from the ordinary course of business. The Company is vigorously defending itself from these claims. Management believes that the final disposition of these matters will not have a material adverse effect on the Company's financial position or results of operations.